

# The Co-operative Continuation Process

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The key to the formation and the subsequent ongoing development and success of any co-operative is understanding, accepting and practicing the co-operative difference and advantage.

This has to be based on a recognition that there is a co-operative difference – that the purpose and structure of a co-operative is unique and different from private and public business enterprises. In accepting the co-operative difference, it logically follows that this difference creates a co-operative advantage.

The Co-operative Difference and Advantage has six interdependent dimensions:

- A clear philosophy of co-operation.
- A governance practice that reflects and reinforces co-operation.
- A management practice that reflects and reinforces co-operation.
- An ongoing co-operative renewal program.
- An ongoing member education program.
- An ongoing member participation program.

For each of these dimensions, a co-operative in its formation must establish the pre-conditions for ongoing adaptation and renewal as a co-operative. Co-operatives will invariably change over time due to internal and external processes, pressures and dynamics and critical to the capacity of a co-operative to cope with and survive change as a co-operative is its willingness and capacity to maintain its co-operative identity.

As a co-operative moves from its formation period there are inevitable challenges to its growth and success and new actors (e.g. new members, customers and suppliers) become involved in the co-operative's development – mixing co-operative and private values and interests. Issues will increasingly arise about who is managing the co-operative, who is making what decisions and what is the nature of the co-operative's entrepreneurship.

How, then, do co-operatives maintain their co-operative identity? If co-operatives do not build-in the ingredients of continuous co-operation, then, they will in time not be readily distinguished by its own members and others from private enterprises. When there is a point that this distinction is not apparent co-operatives are ripe for de-mutualisation.

### **Three Development Options**

Once they are formed, co-operatives have three development options:

- Maintaining and strengthening of co-operative values and practices
- Weakening of co-operative values and practices
- Demutualisation of the co-operative into a private enterprise because of a weak adherence to and/or the abandonment of co-operative values and practices

None of these developments are inevitable but it is at the point of formation that a co-operative can choose to build-in the ingredients of strengthening co-operation or weakening co-operation or demutualisation.

### **Co-operative Indicators**

There are a number of indicators that can be used to indicate the developmental status of co-operatives:

- The number of members contesting for directorship positions.
- The attendance records of directors.
- The number and proportion of members attending AGM's and SGM's
- The number and proportion of members responding to co-operative surveys.
- The number and proportion of members participating in postal ballots.
- The number and proportion of members participating in consultation meetings.
- The number and proportion of members contributing capital
- The number and proportion of members providing and/or purchasing goods and services.
- The number and proportion of co-operative articles in any co-operative newsletter.
- The co-operative's membership of other co-operatives.
- The record of co-operative trading with other co-operatives.

The following critical stakeholders impact on these variables:

The co-operative's board

The co-operative's management

The co-operative's staff

The co-operative's suppliers

The co-operative's purchasers

The co-operative's bankers

The co-operative's accountant

The co-operative's lawyer

The co-operative's advisers

### **A clear philosophy of co-operation.**

A co-operative does not exist in a vacuum and without an explicit philosophy of co-operation that provides a defining framework, then, there will be implicit and divergent interpretations of the philosophical meaning and significance of the co-operative.

Unfortunately, co-operatives can under-estimate the value of co-operative ideology and mistake its continuation as a business weakness. Yet, this defies the rationale for and nature of co-operative enterprises. There is not a choice between being a co-operative or a business. It is how the business practice is informed by co-operative principles.

### **A governance practice that reflects and reinforces co-operation.**

A system of governance must reflect and reinforce co-operation. A co-operative cannot assume its self-evident value to existing and new members and, therefore, the automatic ongoing loyalty of members. Co-operatives must continuously earn the loyalty of the member owners.

### **A management practice that reflects and reinforces co-operation.**

Co-operative boards appoint managers to manage co-operatives on behalf of the members.

The board needs to be careful, however, that it does not assume that its role is to manage the "co-operative" and that the managers role is to manage the "business."

This creates an unhealthy division between being a "co-operative" and a "business" that will not necessarily be noticeable in the short-term but could have long-term unintended consequences.

There should be no separation between "co-operative" and "business". Instead, there is a need to recognise that co-operative managers need to integrate co-operative values within their management practice.

Without this integration, there will invariably be conflicts between "co-operative" and "business" success – potentially exacerbated by long-serving managers whose duration could reinforce this separation. It could also be exploited by advisers whose focus is on the "business" rather than the "co-operative".

#### [An ongoing member education program.](#)

A co-operative is owned by its members and ongoing member education is critical to ensuring member control. Member education is the continuous process by which members see the connection between their individual interest and group interest.

The board is responsible for determining the direction and scope of member education and management is responsible for its implementation.

Member education should not be ad hoc. It should be planned, budgeted for and followed through and include:

- Co-operative democracy and its practice
- History of the co-operative

- The co-operative identity
- Members' role, obligation and involvement
- The co-operative difference
- Co-operative management
- The free rider problem
- The horizon problem

With growth and age and increased complexity members find it increasingly difficult to judge the continuing relevance and effectiveness of their co-operative and the activities of managers. Co-operative education, therefore, increases in importance.

#### [An ongoing member participation program.](#)

The problem for a growing and long-established co-operative is the actual and/or perceived loss of power by members and the need, therefore, to have:

- Ongoing process that limit the power of managers
- Continuing provision of available information
- Maintaining flexible and open dealings between members and managers

Organisational growth and change must be based on reinforcing the relationship between the needs of members and the co-operative's processes and activities. This is not automatically achieved. It will have to be striven for to remain achievable.

There are three key ingredients for ongoing member involvement – information, training and consultation.

A co-operative cannot force its members to be involved. What it can do, however, is create the conditions for member involvement through involving structures, processes and practices.

Members will become and remain involved if they have a sense of accomplishment, a sense of belonging, a feeling of control and the ability to satisfy personal ideas. The ongoing challenge for a co-operative, therefore, is to create and maintain these conditions. This depends, of course, on a commitment to co-operation.

#### [In the Absence](#)

In the absence of an ongoing co-operative member education and involvement program, by default the directors and/or managers become increasingly influential in decision-making. The less co-operative education and involvement, the greater the influence of directors and managers on decisions - decisions that could predetermine future choices.

The CFV's The Co-operative Start-Up Manual should also be consulted. The cost is \$50 including postage for a printed version and \$20 for an electronic version. You can download:

- [a printable summary of The Co-operative Start-Up Manual](#)
- [a non-printable full copy of The Co-operative Start-Up Manual.](#)

If you purchase an electronic version of The Co-operative Start-Up Manual a printable electronic copy will be either emailed or forwarded on CD.

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